



Newsletter No.3 3 March 2023

FPS 2015 Remedy Forecasts for post-October Retirements

Newsletter number 2, issued in April 2022 gave an update on the Service's unpausing of the MoU and the re-adoption of delivering Immediate Detriment remedy to unprotected members who were retiring prior to legislation being in force in October 2023.

Since then the Service has been, and will continue, to deliver Immediate Detriment remedy for pre-October retirements.

Whilst legislation is planned to be in force by October 2023, there are still many elements of the legislation that will take time to become Business-as-Usual as a national mechanism.

For instance, until parliament has passed the October legislation software developers cannot begin to finalise the programming of Pension Administrator automated systems nor can WYPF be certain of interest rates to charge on contribution arrears or pay on pension arrears.

The changes required once legislation has been passed are so numerous & complex that an 18 month implementation period has been built into the legislation meaning the full delivery of legislation will not be completed until April 2025.

For retirements pre-October 2023 these issues are caveated & mitigated by the national MoU on Immediate Detriment. Technically, any retirements after October are not "Immediate Detriment" as such because legislation will be in force before the intended retirement date. The MoU in its current state will therefore no longer be an appropriate vehicle.

For retirements occurring within the early stages of the implementation period eg October 2023 – April 2024, although such retirements will occur after finalised legislation has been passed, the benefits illustrated in a formal Pension Forecast will have been calculated before Parliament has passed such legislation. Forecasts will therefore remain being produced on WYPF's best understanding of the current position (and with less automated processes) and may be subject to future amendment.

To facilitate this situation, FPS members seeking formal Pension Forecasts in the coming months for intended retirements post-October will need to understand this hybrid situation and accept:

- Calculations will be based on the information that WYPF hold on the member's record, i.e. the pay, CPD and AA will be as provided for the previous year's ABS
- The only exception to the above will be for known or potential Annual Allowance breach members
- Should members decide to take benefits based on any quotations provided by WYPF, they will need to be aware that WYPF will need to review and possibly re-calculate those benefits once the Scheme's own rules change
- Scheme members also need to be aware that WYPF will review benefits that they have elected to receive but have not been put into payment, if at that point WYPF's understanding of the approach has also changed. If this happens, WYPF will issue another quotation for the member to decide whether to draw benefits based on that quotation.
- If a member elects to take benefits and afterwards the law is made clear meaning that the basis on which WYPF calculated these benefits changes then WYPF will need to recalculate and adjust members' benefits at a point after they have been put into payment.
- If the benefits go up, the Scheme will pay the member an extra sum to cover the extra benefits. If this is the case the member will need to pay additional contributions in respect of those extra benefits. How that will be done will be determined at the time, but it may be that a decision is made that the extra lump sum paid is reduced to cover any additional contributions required from the member.
- If the benefits go down the member will need to repay the extra benefits over a period of time. That will be done by reducing the member's benefits temporarily until the overpayment is recovered. The recovery period will be agreed with the member.

As stated in previous Newsletters, the work required of Payroll and WYPF to produce Remedy calculations is very time consuming and can only be undertaken by a very small number of individuals with specialist skills & experience.

Due to these limited resources, in order to ensure Remedy pensions can be paid in line with members' planned retirement dates, **6 months' notice of retirement** is required. Providing less notice than this risks other members' cases being prioritised and gaps between your last employee pay and your first Pensioner pay & commutation payment. For these reasons your support with this element of the process is greatly appreciated.